

Message Text

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21

ACTION EUR-12

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FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC PRIORITY 4681

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ECON, NL, EEC

SUBJECT: PRIME MINISTER DEN UYL SPEAKS ON ECONOMIC
ISSUES

SUMMARY: PRIME MINISTER DEN UYL ADDRESSED PROBLEMS OF
WORLDWIDE RECESSION, UNEMPLOYMENT AND INFLATION IN
LUNCHEON SPEECH TO DIPLOMATIC CORPS IN THE HAGUE
NOVEMBER 7. (COMMENTS ARE PRIVILEGED, AND NOT FOR
DISSEMINATION TO PRESS). HE SAID THERE MUST BE IN
WESTERN WORLD SOME REDUCTION OF PRIVATE CONSUMPTION
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AND ACCEPTANCE OF LOWER STANDARD OF LIVING, SINCE

PRICE OF OIL WILL NOT GO DOWN AND NEITHER WILL PRICES OF OTHER RAW MATERIALS RETURN TO LEVELS OF EARLIER YEARS. EC SUMMIT NEXT MONTH WILL BE REGARDED BY HIM AS SUCCESS IF THERE IS AGREEMENT ON HOW MEMBERS SHOULD ACT TO COPE WITH ECONOMIC PROBLEMS. EXPRESSING EUROPEAN CONCERN ABOUT POSSIBLE US PROTECTIONISM, HE REPEATEDLY RETURNED TO THEME THAT SINCE US IN STRONGEST POSITION TO COPE WITH ECONOMIC ISSUES, HE CALLED FOR ACTIVE EC DIALOGUE WITH US TO PREVENT RESTRICTIONIST AND ISOLATIONIST POLICIES. NETHERLANDS' OWN ECONOMY IS NOT COMING UP TO EXPECTATIONS, AND CABINET IS STUDYING NEW STEPS TO STIMULATE IT. END SUMMARY.

1. TICKING OFF ONE BY ONE STATISTICS OF ECONOMIC SLOWDOWN, PRIME MINISTER DEN UYL PROVIDED LUNCHEON GATHERING OF DIPLOMATIC CORPS IN THE HAGUE NOVEMBER 7 DOWN-TO-EARCH, SOMBER VIEW OF PROBLEMS CURRENTLY FACING INDUSTRIALIZED NATIONS. TO MAKE POINT THAT WORLD IS NOW IN DEEPENDING RECESSION, HE STRESSED DECLINE IN WORLD TRADE AND CONTRASTED SEPTEMBER 1973 AND 1974 FIGURES ON EMPLOYMENT, CONSUMER PRICES AND INDUSTRIAL PRODUCTION FOR MAJOR OECD COUNTRIES, COMMENTING THAT BY ITS INFLATIONARY NATURE SLUMP IS UNLIKE THAT OF THIRTIES AND THEREFORE NOT AMENDABLE TO KEYNESIAN SOLUTIONS. INCREASED COST OF OIL AND RAW MATERIALS HAS LED TO PRESENT STATE, DEN UYL SAID, YET WESTERN NATIONS ARE UNREALISTIC IF THEY EXPECT SUPPLIERS OF COMMODITIES AGAIN TO ACCEPT LOW RETURNS. WE MUST LIVE WITH SITUATION THAT EXISTS AND ASSESS CONSEQUENCES, WHICH ARE REDUCED PRIVATE CONSUMPTION AND LOWER STANDARD OF LIVING FOR MANY COUNTRIES.

2. DEN UYL USED ECONOMIC PLIGHT AS SPINGBOARD FOR DISCUSSING RELATIONS AMONG EC MEMBERS AND BETWEEN THEM AND US. ONLY HOPE FOR CONTROLLING RECESSION IS FOR MAJOR NATIONS TO WORK TOGETHER. THIS DOES NOT MEAN IDENTICAL POLICIES. UK AND ITALY MAY HAVE TO PURSUE CAUTIOUS FISCAL AND MONETARY POLICIES, BUT STATES SUCH AS NETHERLANDS AND FRG WITH BALANCE LIMITED OFFICIAL USE

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OF PAYMENTS SURPLUS AND LOWER RATE OF INFLATION SHOULD PURSUE EXPANSION. HE SAID THAT EC GOVERNMENT HEADS SHOULD DISCUSS THEIR NATIONAL ECONOMIC PROGRAMS AT SUMMIT MEETING NEXT MONTH. HE PERSONALLY WOULD CONSIDER GATHERING A SUCCESS IF THERE WERE AGREEMENT ON WHO SHOULD DO WHAT. DEN UYL WAS QUICK TO POINT OUT, HOWEVER, THAT HE DID NOT MEAN LEADERS SHOULD NOT CONSIDER STRENGTHENING COMMUNITY INSTITUTIONS.

NETHERLANDS AS SMALL POWER NEEDED PROTECTION OF ITS RIGHTS, AND WAS PARTICULARLY DESIRIOUS THAT STEPS TO IMPROVE INTERGOVERNMENTAL COOPERATION BY EC NINE NOT WEAKEN COMMISSION AND EUROPEAN PARLIAMENT. HE OBJECTED TO RECENT PRACTICE BY UK, FRANCE, FRG (AND ITALY) TO MEET BY THEMSELVES WITH US AND JAPAN, SINCE LARGER MEMBERS WERE PROFESSING TO REPRESENT EC AS WHOLE. HE THOUGHT OCCASIONAL DISCUSSIONS BY SELECT GROUPS WERE USEFUL PROVIDED COMMISSION WERE PRESENT TOO.

3. DECLINE IN RATE OF GROWTH OF WORLD TRADE MUST NOT BE USED AS EXCUSE FOR CREATING BARRIERS THAT WOULD HALT ITS GROWTH ENTIRELY. DEN UYL PERSONALLY DID NOT SEE US PROTECTIONISM BUT SAID FACT IS THAT EUROPE WAS WORRIED ABOUT IT. WHAT WORLD NEEDS IS CERTAINTY -- OF PRICES, OF EXCHANGE RATES AND OF POLITICAL INSTITUTIONS. DIALOGUE BETWEEN EC AND US WOULD CONTRIBUTE TO STABILITY, AND DEN UYL SAID HE WOULD EXPLORE WITH HIS COLLEAGUES AT EC SUMMIT MEANS TO DISCUSS WITH US COMBINED APPROACH TO AVOID FALLING BACK INTO PROTECTIONISM AND ISOLATIONISM. HE SAID REPEATEDLY THROUGHOUT SPEECH THAT SINCE US IS IN STRONGEST POSITION TO OVERCOME PROBLEMS, SUCH DIALOGUE BETWEEN TWO SIDES OF ATLANTIC WAS ESSENTIAL.

4. DEN UYL REFERRED TO FRENCH PRESIDENT GISCARD'S INITIATIVE FOR OIL PRODUCER-CONSUMER MEETING AND US-BACKED IEP AS "COMPETING PROPOSALS" BUT SAID THAT HE DID NOT MEAN THEREBY TO INDICATE PREFERENCE FOR ONE OVER THE OTHER.

5. TURNING TO STATE OF NETHERLANDS ECONOMY, DEN UYL REPORTED CONCERN BY HIS GOVERNMENT OVER INCREASING LIMITED OFFICIAL USE

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EVIDENCE THAT SEPTEMBER BUDGET FORECASTS WERE TOO OPTIMISTIC. HE NOTED THAT MOST RECENT FIGURE SHOWS UNEMPLOYMENT IS UP TO 3.9 PERCENT, A LEVEL WHICH IT WAS NOT EXPECTED TO REACH BEFORE 1975. CONSUMER PRICES ALSO WERE RISING FASTER THAN ANTICIPATED. HE SAID THAT CABINET IS STUDYING WHAT ADDITIONAL STEPS TO TAKE TO STIMULATE ECONOMY.

6. ASKED IN QUESTION AND ANSWER SESSION AFTERWARD FOR HIS VIEWS ON MULTINATIONAL CORPORATIONS, DEN UYL SAID SOME INTERNATIONAL REGULATION IS NECESSARY TO AVOID WORST PRACTICES BUT THAT HE PERSONALLY WISHES LABOR UNIONS, GOVERNMENTS AND INTERNATIONAL ORGANIZATIONS COULD LEARN TO BE AS EFFICIENT AS MNCs. GOULD

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